



November 5, 2002

California Energy Commission
Attn: Docket Office
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

Re: Docket No. 02-IEP-01: California Independent System Operator's Comments on the Scope and Process for the Development of the 2003 Integrated Energy Policy Report

Dear Commissioners:

The California Independent System Operator (CAISO) respectfully summarizes and supplements its comments presented during the October 22, 2002 hearing in this matter. These comments lay out key issues that the CA ISO considers should be addressed in the "2003 Integrated Energy Policy Report" that is to be prepared by the California Energy Commission (CEC), in consultation with other entities including the CA ISO, and that is to be adopted by November 2003.

The purpose of the "2003 Integrated Energy Policy Report" is to provide the Governors Office and the State Legislature with "policy recommendations based on an in-depth and integrated analysis of the most current and pressing energy issues facing the state" and "an assessment and forecast of system reliability and the need for resource additions, efficiency and conservation that considers all aspects of the energy industries and markets that are essential for the state economy, general welfare, public health and safety, energy diversity, and protection of the environment". Public Resources Code § 25302,

The CAISO stands ready to assist the CEC in any way it can in this important endeavor to develop key information regarding interrelated energy issues. In particular, the CAISO offers to the CEC its expertise and knowledge on control area and grid operations, transmission planning, and wholesale market design and information. The CA ISO is hopeful that development of the report will provide a basis for increasingly effective and efficient coordination of information amongst key entities and state agencies that impact the energy resources and systems in California. The CAISO looks forward to assisting the CEC with a review of the report to ensure that local, state-wide and regional electric grid operational and planning reliability and wholesale market issues are fully considered in the energy assessment.

The CAISO supports staff's suggestion that the 2003 Energy Policy Report should place a particular emphasis on energy issues that are pressing in the near term, including the following:

- Coordinated transmission grid expansion. As the CEC is aware, the CA ISO facilitates an annual transmission expansion planning process with its Participating Transmission Owners that determines transmission needs for a minimum of five years into the future. It is the CAISO's goal to promote a more versatile, efficient, and robust transmission system in California that provides the flexibility to serve load economically and reliably. Transmission system planning should support full utilization of existing and planned generating resources. The CA ISO looks forward to reviewing the CEC plan to integrate the CAISO's transmission planning efforts with the CEC's broader energy resources assessment.
- Facilitation of generation additions and replacements. The CAISO anticipates that the load requirements will continue to grow in California and thus the requirement for new generation will continue to grow. In addition, over 25,000 MW of generation is over 30 years old and may become less reliable or retired. In the last two years, California dramatically increased the number of new generation projects in comparison to the past. However, recently many of the new projects that were planned have been cancelled or delayed. The CAISO supports the development of policies to promote the timely siting and construction of new, efficient, environmentally benign generation to meet future load requirements and offset retirements.

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- Continued facilitation of demand response. The CAISO considers that a continued emphasis on demand response is critical to California's energy future, in order to promote efficiency and reliability and to control supplier market power. Programs can focus on prospective load reduction and shaping as well as demand response. To maximize their usefulness, demand response programs should take account of system operational considerations and timelines.
- While focusing on California and its needs, it is important that the report consider regional issues as well including planned infrastructure additions and operations within the entire WECC.

The CAISO looks forward to working cooperatively with the CEC and all other stake holders to develop the 2003 Energy Policy Report. If you have any questions, please call me at (916)351-2202.

Sincerely,

Kevin Graves
Manager, Loads and Resources
California Independent System Operator

Cc: Commissioner James D. Boyd
Chairman William J. Keese
Karen Griffin, CEC
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